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E.O. 12958: DECL: 07/20/2017

TAGS: PGOV PREL ECON EPET TX

SUBJECT: TURKMENISTAN: PETRONAS HAS BIG PLANS

REF: ASHGABAT 1076

Classified By: Charge Richard E. Hoagland for reasons 1.4 (B) and (D).

¶1. (C) SUMMARY: Petronas plans to ramp up operations in Turkmenistan and hopes to process 10 bcm of natural gas per year by 2012. According to Petronas' Turkmenistan general manager, Russia is a much more reliable business partner than Turkey, Azerbaijan, or Iran. Plans to sell gas to Russia will enable delivery of gas rig parts via Russian waterways. Petronas' policy of providing advanced training for some of its Turkmen employees and allowing the government first crack at hiring the graduates guarantees a better workforce for the company as well as smooth relations with the government. END SUMMARY.

MAJOR PLANS IN THE CASPIAN

¶2. (C) During a dinner on October 18 with econoff, the General Manager of Petronas in Turkmenistan, Suleiman Abdullah, reiterated earlier expectations of processing five bcm of gas per year by 2010 at a new processing plant in Turkmenbashy (reftel). With the completion of Phase II, to be completed in 2012, processing would increase to 10 bcm (reftel). He also repeated Petronas' plans to build four drilling rigs and operate a collector platform in Block 1. Petronas has already invested \$800 million, and plans to invest an additional \$2 billion, some of the tenders for which have already been announced. Abdullah said that Russia is allowing Petronas to ship rigs in several pieces via the Volga and Don Rivers, because the company plans to sell the gas to Russia.

PREFERS WORKING WITH RUSSIA

¶3. (C) Abdullah criticized cooperation with Turkey, Azerbaijan, and Iran. He said Turkey is unreliable (reftel) because they don't inform in advance what the transit fee

will be. Although Russia pays less, transit terms are clearer and Petronas knows that Russia will pay, making them preferable as partners. Abdullah said the Azeris are not reliable to work with because of interregional rivalry. Working with Iran is difficult because "they take two years (to do) what should take three months."

PETRONAS OPERATIONS IN TURKMENISTAN

¶4. (C) Abdullah said that 80% of the Petronas workforce is local. Government officials told Petronas to hire more ethnic Turkmen engineers, which presents a challenge since almost all trained engineers in the country are ethnic Russians. (NOTE: The Turkish and French construction companies bring in foreign workers. END NOTE.) He stated that the company does not have plans to increase the number of Malay employees even with their expanding business, because salaries are too expensive, and the situation with schools and wives is complicated. (COMMENT: We have heard from sources that Petronas contacted the Ashgabat International School (AIS) twice recently regarding plans to bring 60 families to Ashgabat. The fact that AIS currently would have trouble accommodating the children of 60 additional families could be what Abdullah is referring to regarding a complicated school situation. COMMENT.)

OFFERS OF EDUCATION CARRY OBLIGATIONS

¶5. (SBU) Petronas has sent three classes of 50 Turkmenistani students each to Petronas University for training. Abdullah said the government of Turkmenistan has priority in hiring the graduates for the first three months after their return

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as part of an agreement the company made with Turkmenistan in order to curry favor with the government. Petronas offers jobs to the remaining graduates. Instead of returning to Turkmenistan, two former students left for employment in other countries. Consequently, students and their parents now sign a promissory note which obligates them to return -- or the parents can be jailed. Abdullah also runs the local office and serves as Petronas' lead negotiator in Turkmenistan. He is training local staff in negotiations himself.

CLUES ABOUT HIS AND PETRONAS' FUTURE

¶6. (SBU) Abdullah has been in Turkmenistan for six years. Petronas wants him to return to Malaysia in December, but he would like to stay longer, and his Turkmenistan government counterparts also think that he should stay as the Caspian project ramps up. The president of Petronas is coming in December to decide this question. While pleased about the company's success in Turkmenistan, he acknowledges they have been working in Turkmenistan since 1996 and that it took a long time to reach this point.

¶7. (SBU) Regarding the return of major U.S. oil and gas firms to Turkmenistan, he asked why Chevron and other U.S. companies would come, citing the great distance from the United States. He feigned ignorance about the possible opening of any local offices by U.S. companies (despite the fact that Chevron's plans have been reported in the international media).

¶8. (SBU) COMMENT: Petronas is an adept political animal. Training Turkmen employees and allowing the government first crack at hiring the graduates guarantees a better workforce for the company as well as smooth relations with the government. END COMMENT.

HOAGLAND